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Central Intelligence Agency



Office of Inspector General

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Washington, D.C. 20505

29 SEP 2017

**Final Report on the External Peer Review of
the Defense Intelligence Agency, Office of Inspector General,
Audit Staff (2107-0022-AS)**

Attachment A

System Review Report

We have reviewed the system of quality control for the audit organization of the Defense Intelligence Agency (DIA), Office of Inspector General (OIG) in effect for the three-year period ended 30 April 2017. A system of quality control encompasses DIA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (GAS). The elements of quality control are described in GAS. The DIA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the Office with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and DIA OIG's compliance therewith based on our review.

Our review was conducted in accordance with GAS and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed DIA OIG personnel and obtained an understanding of the nature of the audit organization and the design of the system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with DIA OIG's system of quality control. The audits selected represented a reasonable cross-section of DIA OIG's audit organization, with emphasis on more current audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with DIA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the DIA OIG audit organization. In addition, we tested compliance with DIA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DIA OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. The enclosure to this report identifies the audits that we reviewed.

There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system may occur and not be detected. Projection of any

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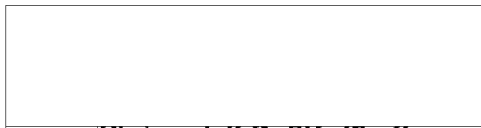
SUBJECT: External Peer Review Report

evaluation of a system of quality control to future periods is subject to the risk that the system may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the audit organization of DIA OIG in effect for the three-year period ended 30 April 2017 has been suitably designed and implemented to provide DIA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. DIA OIG has received an External Peer Review rating of *pass*.

As is customary, we have issued a letter dated 29 September 2017 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing its system of quality control to ensure adherence with GAS, we applied certain limited procedures in accordance with guidance established by the CIGIE related to DIA OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of GAS. The purpose of our limited procedures was to determine whether DIA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and, accordingly, we do not express an opinion on DIA OIG's monitoring of work performed by IPAs.


~~Christopher R. Sharpley~~
Acting Inspector General

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Enclosure

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Enclosure**Scope and Methodology**

We tested compliance with the DIA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of three of five audit reports issued and two audits terminated during the period 1 May 2014 through 30 April 2017. We also reviewed the internal quality control reviews performed by DIA OIG.

In addition, we reviewed DIA OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period 1 October 2015 through 30 November 2016. During the period, DIA OIG contracted for the audit of its agency's FY 2016 Financial Statements.

Reviewed Audits Performed by DIA OIG:

Report No.	Report Date	Report Title
2013-100008-OA	30 March 2015	Audit of DIA's Management of IT Equipment and Warehouse Inventory
2013-100010-OA	30 September 2015	Audit of DIA's Contract Surveillance
2015-100003-OA	11 August 2016	Audit of Other Direct Costs on DIA Contracts
2015-100001-OA	Terminated 20 November 2015	Audit of DIA's Management of Software Licenses
2015-100007-OA	Terminated 25 February 2016	Audit of DIA's Travel Program

Reviewed Monitoring Files of DIA OIG for Contracted Audit:

Report No.	Report Date	Report Title
2016-1001	15 November 2016	FY 2016 Financial Statements